

ASSEMBLY BILL

No. 1534

Introduced by Assembly Member V. Manuel Perez

February 27, 2009

An act to add Section 7192 to the Business and Professions Code, relating to contractors.

LEGISLATIVE COUNSEL'S DIGEST

AB 1534, as introduced, V. Manuel Perez. Contractors: mortgage loans.

The Contractors' State License Law provides for the licensure and regulation of contractors, as defined, by the Contractors' State License Board. Upon a violation of the law by a contractor, the board is authorized to institute disciplinary proceedings, revoke or suspend a license, issue citations, collect civil penalties, and apply for injunctive relief, as specified.

This bill would prohibit a general building contractor from originating, directly or through a related entity, a consumer loan, as defined, to be used for the purchase of a home that is for sale by the contractor or a related entity of the contractor. A violation of that provision would subject a contractor to the provisions described above.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 7192 is added to the Business and
- 2 Professions Code, to read:

1 7192. (a) A home builder may not, directly or through an
2 affiliate, subsidiary, or partner of the home builder, originate a
3 consumer loan to be used for the purchase of a home that is for
4 sale by the home builder or an affiliate, subsidiary, or partner of
5 the home builder.

6 (b) As used in this section:

7 (1) “Consumer loan” means a consumer credit transaction that
8 is secured by real property located in this state used, or intended
9 to be used or occupied, as the principal dwelling of the consumer
10 that is improved by a one-to-four residential unit. “Consumer loan”
11 does not include a reverse mortgage, an open line of credit as
12 defined in Part 226 of Title 12 of the Code of Federal Regulations
13 (Regulation Z), or a consumer credit transaction that is secured by
14 rental property or second homes. “Consumer loan” does not include
15 a bridge loan. For purposes of this section, a bridge loan is any
16 temporary loan, having a maturity of one year or less, for the
17 purpose of acquisition or construction of a dwelling intended to
18 become the consumer’s principal dwelling.

19 (2) “Home” includes a single-family residence or townhome,
20 but does not include apartment buildings or condominiums.

21 (3) “Home builder” means a general building contractor engaged
22 in the construction of new homes.

23 (4) “Originate” means to arrange, negotiate, or make a consumer
24 loan.